

Cohort Default Rate Guide

Quick Reference

Fall 2016



What is the Cohort Default Rate Guide?

The Cohort Default Rate Guide (CDR Guide) is a comprehensive reference document that explains in detail how the Department of Education (Department) Federal Student Aid calculates a school's cohort default rate and how a school can:

- correct the data that is used to calculate the rates, or
- submit a challenge/appeal/ adjustment.

What is the Cohort Default Rate Quick Reference Guide?



The Quick Reference presents some of the key elements of the CDR Guide in an informal manner. However, it is not meant to be an all-inclusive discussion of the information contained in the CDR Guide. It is meant to provide a quick summary of what you should do during the *draft* and *official* cohort default rate (CDR) cycles.



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Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

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The Operations Performance Division (OPD) is the office responsible for the Federal Family Education Loan (FFEL) Program and William D. Ford Federal Direct Loan (Direct Loan) Program cohort default rate information. OPD in conjunction with the National Student Loan Data System (NSLDS[®]) calculates and releases school cohort default rates and works with schools and Data Managers in the cohort default rate challenge, adjustment, and appeal processes. The OPD's home page is located at:

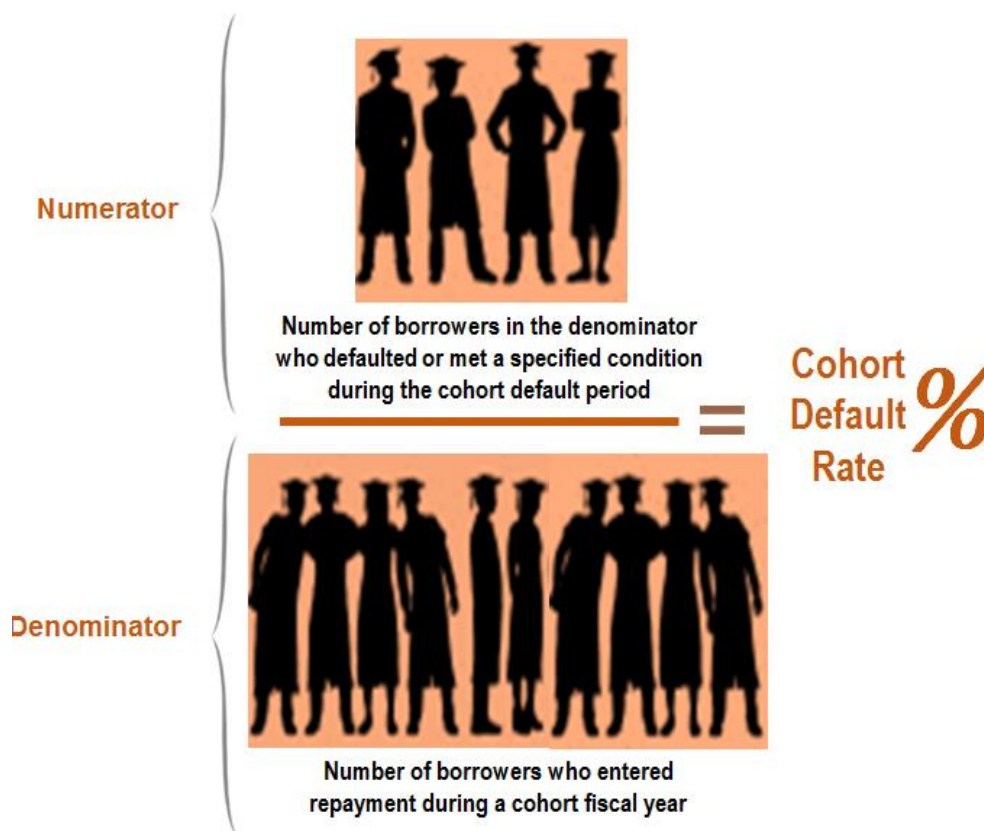
<http://ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

Disclaimer: The information found in this quick reference guide does not supersede or alter any regulatory or statutory requirements that are in effect. If the information in this guide conflicts with the regulations or statute, the regulations and/or statute that are in effect take precedence. The legislation authorizing the FFEL and Direct Loan programs can be found in Title IV of the Higher Education Act (HEA) of 1965, as amended. The primary regulations that provide for the cohort default rate process are found in Subpart N of Section 668 of the Code of Federal Regulations (CFR).



What is a cohort default rate?

A school's cohort default rate is the percentage of a school's federal student loan borrowers who enter repayment within the cohort fiscal year (denominator) *and* default (or met other specified condition) (numerator) within the cohort default period.¹



The components of the cohort default rate are discussed further starting on page 16 of this Quick Reference; a complete explanation of the cohort default rate can be found in Chapter 2.1 of the Guide. Information discussed in this chapter includes:

- A description of the loans that are included,
- A definition of repayment and default,
- A complete discussion of the cohort default period, and
- The formula (non-average rate) used to calculate the cohort default rate for most schools, and the alternative formula (average rate) for schools with a low number of borrowers.

¹ A cohort fiscal year is the same as a federal fiscal year, which begins on October 1st of a year and ends on September 30th of the following year. The Cohort Default Period is the three-year period that begins on October 1st

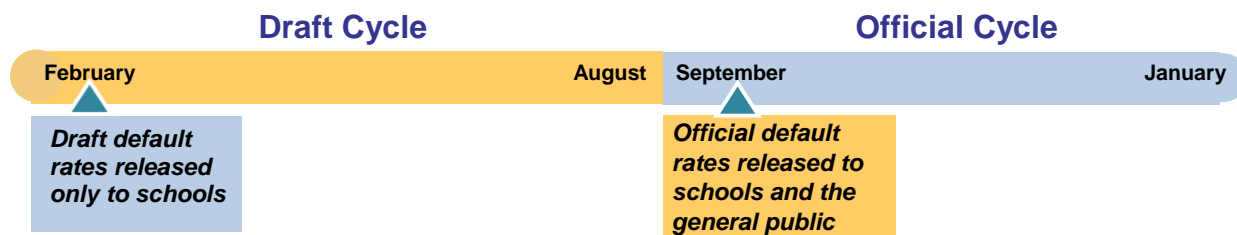


of the fiscal year when the borrower enters repayment and ends on September 30th of the following two fiscal years.

What are the *draft* and *official* cohort default rate cycles?

The ***draft* cycle** begins in February of each year when *draft* cohort default rates are released to schools only.

The ***official* cycle** begins in September of each year when *official* cohort default rates are released to schools and made available to the general public.



How are CDRs delivered to schools?

Cohort Default Rates are delivered electronically to all schools that sign up to receive the rates via the Student Aid Internet Gateway (SAIG). The SAIG is the tool that allows Federal Student Aid financial aid professionals to securely exchange data with Federal Student Aid Application Systems. The following link provides information for SAIG enrollment and access to various applications.

For assistance in downloading your rates/or printing them, please click on this link.
<https://fsawebenroll.ed.gov/PMEEnroll/index.jsp>.

When one receives the rates in the SAIG mailbox, there will be a message class column on the left of the mailbox. A successful downloaded file will consist of the three eCDR files by their message classes:

SCDRLROP - cover letter

SHCROP - the loan record detail information in pre-formatted report

SHCDREOP - the loan record detail information in an unformatted extract

How does the rate affect my school?

How does the *draft* rate affect my school?

There are no sanctions or benefits associated with the *draft* cohort default rate.

The purpose of releasing *draft* cohort default rates is to allow schools the opportunity to review their data for accuracy and notify the applicable Data Manager (DM) if there is any erroneous data on the Loan Record Detail Report (LRDR). *Draft* cohort default rates, therefore form the basis of a school's *official* cohort default rate. A school that fails to challenge the accuracy of its *draft* cohort default rate may not contest the accuracy of that data when it receives its *official* cohort default rate. Furthermore, in certain circumstances a school may submit a Participation Rate Index Challenge based on its *draft* cohort default rate.

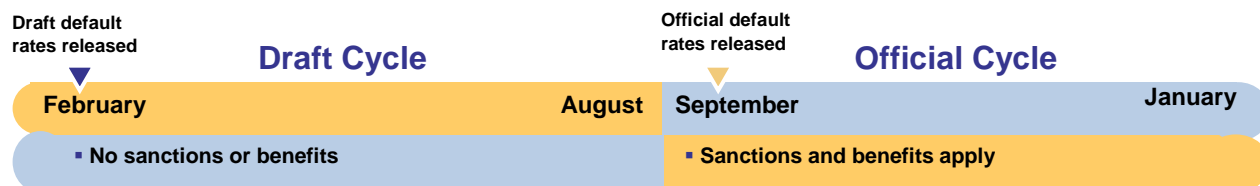
How does the *official* rate affect my school?

There are sanctions for schools with high rates and benefits for schools with low rates.

Sanctions can include loss of eligibility in Direct Loan, and/or Pell programs. A high cohort default rate can also limit a school to provisional certification. More information on sanctions can be found in Chapter 2.4 of the CDR Guide.

Benefits to schools with low cohort default rates are also discussed in Chapter 2.4 of the CDR Guide.





What actions can a school take concerning its cohort default rate?

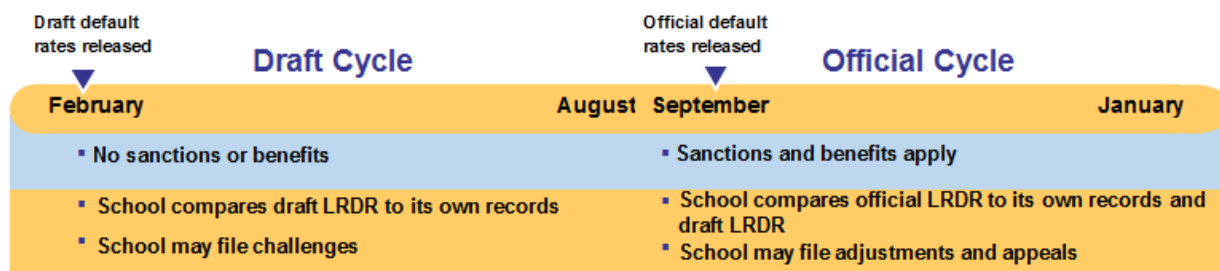
Schools will have an opportunity to review and respond to the loan information that is used to calculate their cohort default rates. Schools receive a Loan Record Detail Report (LRDR) as part of both the *draft* and *official* cohort default rate notification packages. The LRDR lists specific information for each loan included in the school's cohort default rate.

During the *draft* cycle, the responsible person(s) should compare the information in the LRDR with the student separation (graduates, withdraws, or drops below half-time enrollment) dates and other loan information in the school's records. Schools may also compare the LRDR with any current loan information obtained from lenders and Data Managers. If errors are found within the LRDR during the *draft* cycle, an Incorrect Data Challenge (IDC) may be submitted via the eCDR Appeals system. Additionally, if a school has a relatively low percentage of borrowers, it may be eligible to submit a Participation Rate Index Challenge during the *draft* cycle.

When the *official* cohort default rates are released, schools receive a new LRDR and should compare the new LRDR to the one received from the recently released draft. The LRDR may contain new data that should be compared to the school's records and current loan information provided by lenders and Data Managers. The LRDR should also be compared with the Data Manager's Incorrect Data Challenge response to ensure that all agreed-upon changes are reflected in the *official* cohort default rate data.

During the *official* cycle, your school may request a New Data Adjustment or an Uncorrected Data Adjustment based on your review of the LRDR. You may also appeal the rate based on loan servicing errors that you are able to identify from lender and Data Manager records. If your school is subject to sanctions because of your cohort default rate, you may be eligible to file other appeals, as described later in this Quick Reference.

We'll explain how to submit a challenge, adjustment, or appeal on page 8.



How does a school use the Loan Record Detail Report?

A Loan Record Detail Report (LRDR) contains information on the loans used to calculate a school's *draft* and *official* cohort default rate. See [Chapter 2.3 of the CDR Guide](#) for information on obtaining a copy of your LRDR.

Why should a school review the LRDR during the *draft* cycle?

It is important to review for accuracy the data used to calculate the *draft* cohort default rate – a school that fails to challenge the accuracy of its *draft* cohort default rate may not contest the accuracy of that data when it receives its *official* cohort default rate. Furthermore, in certain circumstances a school may submit a Participation Rate Index Challenge based on its *draft* cohort default rate.

Why should a school review the LRDR during the *official* cycle?

It is important to review for accuracy the data used to calculate the *official* cohort default rate – if a school finds errors in the data, it may be eligible to file certain adjustments or appeals.



Below contains the screens for lines one and two of the LRDR, please see Chapter 2.3 of the CDR Guide for more details.

BODY SECTION – LINE 1 BORROWER

Borrower's Social Security Number (SSN): 0001-01-0001

Last Name: CHARM

First Name/Middle Initial: JIM K

Date of Birth: 06/30/1977

OPEID of the school that certified/originated the loan: 00XXXXXX

Rate Calculation Date: XX/XX/XX

Page No: 1

Organization ID Number: 999999

Borrower's Academic Level When Loan Was Obtained (see code list): 1

Beginning & Ending [Class] Dates for Loan Period: 09/01/1999 to 05/30/2000

Program Type: FFEL

Years: 1

STUDENT

SSN	Last Name	First Name/M.I.	D.O.B.	Original School	Begin Date	End Date	Academic Level
0001-01-0001	CHARM	JIM K	06/30/1977	00XXXXXX	09/01/1999	05/30/2000	1
0001-01-0001	CHARM	JIM K	06/30/1977	00XXXXXX	09/02/1999	12/31/2001	3
0001-01-0001	CHARM	JIM K	06/30/1977	00XXXXXX	09/01/2000	04/30/2001	3
0002-01-0001	XU	DENZEL A	10/01/1973	00XXXXXX	08/21/2000	12/31/2001	2
0002-01-0001	XU	DENZEL A	10/01/1973	00XXXXXX	01/12/2000	05/12/2000	2
0003-00-0001	Jackson	MARK R	10/29/1983	00XXXXXX	02/14/2000	05/10/2002	1
0003-00-0001	Jackson	MARK R	10/29/1983	00XXXXXX	08/22/2002	05/09/2003	1
0003-00-0001	Jackson	MARK R	10/29/1983	00XXXXXX	11/04/2002	12/13/2002	1

Academic Level Codes

Code	Description
1	Freshman/First Year
2	Sophomore/Second year
3	Junior/Third Year
4	Senior/Fourth Year
5	Fifth Year/Other
A	First Year Graduate/Professional
B	Second Year Graduate/Professional
C	Third Year Graduate/Professional
D	Beyond Third Year Graduate/Professional
G	Graduate/Professional
N	Not Available

TOTAL DOLLARS IN DEFAULT: 1,071,266

TOTAL DOLLARS IN REPAYMENT: 6,950,053

TOTAL INSURANCE CLAIM PAYMENTS: 0

Actual Numerator Count: 134

Actual Denominator Count: 842

Individual Program Tally: FFEL: 134/942, DIRECT: 0, DUAL: 0

Appealed Rate flag: N (D=Direct, I=Indirect, N=No Appeal, U=Unknown)

Default Rate Usage 1: D=Denominator, B=Numerator/Denominator, N=Not Used, E=Eligible but not counted

Default Rate Usage 2: FD=FFEL Denominator, FB=FFEL Numerator/Denominator, DD=Direct Denominator, DE=Direct Numerator/Denominator, IC=ICR (Negative Amortisation Only), N = Not Used, E = Eligible but not counted

Information Protected By the Privacy Act of 1974 As Amended

BODY SECTION – LINE 2 LOAN INFORMATION

Lender/Service/Holder – That provided loan to the borrower: Alexander Reachum

Loan Type: FFEL or Direct Loan (see code list)

Loan Status: At time CDR was calculated (see code list)

State: Iowa

Postal Code: 12345

Program Type: FFEL

Year: 1

Usage: Usage 1 – Identifies how the borrower is used in the school's cohort default rate calculation. Usage 2 – Identifies how the borrower is counted in each individual loan program

Loan Holder – At time CDR was calculated: JIM K

Loan Type: FFEL or Direct Loan (see code list)

Loan Status: At time CDR was calculated (see code list)

STUDENT

SSN	Last Name	First Name/M.I.	D.O.B.	Original School	Begin Date	End Date	Academic Level
0001-01-0001	CHARM	JIM K	06/30/1977	00XXXXXX	09/01/1999	05/30/2000	1
0001-01-0001	CHARM	JIM K	06/30/1977	00XXXXXX	09/02/1999	12/31/2001	3
0001-01-0001	CHARM	JIM K	06/30/1977	00XXXXXX	09/01/2000	04/30/2001	3
0002-01-0001	XU	DENZEL A	10/01/1973	00XXXXXX	08/21/2000	12/31/2001	2
0002-01-0001	XU	DENZEL A	10/01/1973	00XXXXXX	01/12/2000	05/12/2000	2
0003-00-0001	Jackson	MARK R	10/29/1983	00XXXXXX	02/14/2000	05/10/2002	1
0003-00-0001	Jackson	MARK R	10/29/1983	00XXXXXX	08/22/2002	05/09/2003	1
0003-00-0001	Jackson	MARK R	10/29/1983	00XXXXXX	11/04/2002	12/13/2002	1

TOTAL DOLLARS IN DEFAULT: 1,071,266

TOTAL DOLLARS IN REPAYMENT: 6,950,053

TOTAL INSURANCE CLAIM PAYMENTS: 0

Actual Numerator Count: 134

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Individual Program Tally: FFEL: 134/942, DIRECT: 0, DUAL: 0

Appealed Rate flag: N (D=Direct, I=Indirect, N=No Appeal, U=Unknown)

Default Rate Usage 1: D=Denominator, B=Numerator/Denominator, N=Not Used, E=Eligible but not counted

Default Rate Usage 2: FD=FFEL Denominator, FB=FFEL Numerator/Denominator, DD=Direct Denominator, DE=Direct Numerator/Denominator, IC=ICR (Negative Amortisation Only), N = Not Used, E = Eligible but not counted

Claim Reason Code – Identifies why a claim was paid on a FFEL or if a Direct Loan or FFEL purchased by the Department is considered in default because the borrower has defaulted or met the other specified condition (see code list).

Repay Date – Date the borrower entered into repayment on the loan. This date determines if the borrower is included in the denominator of the cohort default rate calculation.

Amount – The original principal amount of the loan.

Guarantor/Service – The data manager is responsible for the loan. See data manager addresses at: https://ifap.ed.gov/drmaterials/NumericalDataMgrContacts.html#In_15

Enrollment Status Code – Borrower's enrollment status at time the rate was calculated.

Enrollment Status Date – Last date the borrower's enrollment status changed, if no date is available, the data manager may use 01/01/1900. (Note that the enrollment status code and date may reflect subsequent enrollment at a different school rather than borrower's enrollment at the school listed on the LRDR.)

Default/Neg Am Date – The date a guaranty agency paid a default claim to a lender (claim paid date) on a FFEL or the day a Direct Loan or FFEL purchased by the Department is considered in default either because the borrower has defaulted (default date) or met the other specified condition. This date determines if the loan is included in the numerator of the cohort default rate calculation.

These fields are the ones most often cited in challenges and adjustments.

What should a school do about incorrect information?

A school that believes the LRDR contains incorrect information should take steps to correct that information. Those steps can be found in the next portion of the Quick Reference and [Part IV of the CDR Guide](#).

How does a school challenge, adjust, or appeal its rate?

Challenges, adjustments, and appeals are actions schools can use if the school believes its cohort default rate is calculated incorrectly, or if the school believes that specific mitigating circumstances needed to excuse it from being subject to sanction. The Department mandates that all incorrect data challenges (IDCs), uncorrected data adjustments (UDA), loan servicing appeals (LSA) and new data adjustments (NDA) be submitted via [eCDR Appeals](#). The eCDR Appeals application is a web-based application that allows schools to submit challenges, adjustment and appeals electronically. All users must register in eCDR Appeals before they can use the system. The system is also available for permissions that need to be changed in the eCDR Appeals. A link to the system is located on the left navigation menu of the Operations' Performance Division's website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>. Please go to the website for more information on the eCDR Appeals application.

The information below is not designed to tell you everything you need to know about a particular challenge, adjustment, or appeal, but to provide you with a quick overview to help you decide if you need to take action. See Chapter 3.1 of the CDR Guide for detailed information. See part 4 of the CDR Guide for specific information on each type of challenge, adjustment and/or appeal.

When can a school file a challenge, adjustment, or appeal?

Challenges can only be submitted during the draft cycle for *draft* rates. Adjustments and appeals can only be submitted during the *official* cycle and are based solely on *official* rates.

The following figure shows, in general, which challenges, adjustments, and appeals are available to be sanctioned and non-sanctioned during the *draft* and *official* cycles.

Draft Cycle		Official Cycle	
Draft default rates released		Official default rates released	
February	August	September	January
<ul style="list-style-type: none"> ▪ No sanctions or benefits 		<ul style="list-style-type: none"> ▪ Sanctions and benefits apply 	
<ul style="list-style-type: none"> ▪ School compares draft LRDR to its own records ▪ School may file challenges 		<ul style="list-style-type: none"> ▪ School compares official LRDR to its own records and draft LRDR ▪ School may file adjustments and appeals 	
<ul style="list-style-type: none"> ▪ Challenges (all schools) <ul style="list-style-type: none"> ▪ Incorrect Data Challenge (IDC) ▪ Participation Rate Index Challenge 		<ul style="list-style-type: none"> ▪ Adjustments and Appeals (all schools) <ul style="list-style-type: none"> ▪ Uncorrected Data Adjustment (if the school submitted an IDC in the draft cycle) ▪ New Data Adjustment ▪ Loan Servicing Appeal ▪ Appeals (sanctioned schools only) <ul style="list-style-type: none"> ▪ Erroneous Data Appeal ▪ Economically Disadvantaged Appeal ▪ Participation Rate Index Appeal ▪ Automatic Appeals (sanctioned schools only) <ul style="list-style-type: none"> These appeals are initiated by the Department ▪ Average Rates Appeal ▪ Thirty or Fewer Borrowers Appeal 	

Revised FY 2016



What *challenges* are available during the *draft cycle*?

There are two **challenges** available during the **draft cycle** – an Incorrect Data Challenge (IDC) and a Participation Rate Index Challenge (PRI). The following tables summarize these challenges.

Incorrect Data Challenge

Schools Eligible	All.
Conditions	Incorrect data in the LRDR. (Incorrect data is data that is incorrectly reported, included, or excluded.)
Time Frame	School must file within 45 days of receiving the <i>draft</i> LRDR.
School Role	Within eCDR Appeals, schools must submit any relevant information for each borrower challenged, supporting documentation for each borrower challenged and the CEO Certification Letter.
Data Manager Role	Data Manager holding the loan reviews the challenge and issues a decision within 30 days of receiving your challenge. If Data Manager agrees that a change should be made, it must correct the data in its internal data system and in the NSLDS.
FSA Role	Review the Data Manager responses to a school's challenge to ensure accuracy. Respond to a school's challenge if the Department is the Data Manager.
Cohort Default Rate Guide (CDRG) section and REG	Chapter 4.1 and 34 CFR 668.204

Participation Rate Index Challenge

Schools Eligible	Only schools subject to sanction or provisional certification.
Conditions	Schools with a low borrower participation rate.
Time Frame	School must file within 45 days of receiving its <i>draft</i> cohort default rate and the <i>draft</i> LRDR.
School Role	A school submits a cover letter and a completed participation rate index challenge spreadsheet to the Department.
Data Manager Role	None.
FSA Role	Department reviews the challenge and issues a decision. If successful, the school will not be subject to sanctions with the release of the <i>official</i> cohort default rates.
CDRG section and REG	Chapter 4.2 and 34 CFR 668.204

What *adjustments* are available during the *official cycle*?

There are two **adjustments** available during the **official cycle** – an Uncorrected Data Adjustment (UDA) and a New Data Adjustment (NDA). The following tables summarize these two adjustments.

Uncorrected Data Adjustment

Schools Eligible	All.
Conditions	School successfully filed an IDC and the data needed to be corrected was not corrected.
Time Frame	School must file within 30 days of receiving the <i>official</i> LRDR and CDR.
School Role	Within eCDR Appeals school submits all relevant information for each borrower included in a UDA case and the CEO Certification Letter.
Data Manager Role	If the Department notifies Data Manager that the adjustment was successful, Data Manager must correct the data in its internal data system and in NSLDS.
FSA Role	The Department reviews the adjustment request and issues a decision. If appropriate, the Department recalculates the cohort default rate.
CDRG section and REG	Chapter 4.3 and 34 CFR 668.209



New Data Adjustment

Schools Eligible	All.
Conditions	School believes its <i>official</i> LRDR contains new, incorrect data.
Time Frame	School must initiate request for new data adjustment within 15 days of receiving the <i>official</i> LRDR. In general, the school has 30 days from receipt of Data Manager's final response to submit the new data adjustment to the Department.
School Role	School submits a CEO Certification Letter, any relevant information and supporting documentation for each borrower challenged thru the eCDR Appeals System. If the Data Manager agrees to correct the data, the school submits a CEO Certification letter, any relevant information for each borrower that the data manager agreed to correct, and any supporting documentation.
Data Manager Role	Data Manager holding the loan reviews the request and issues a decision. If the Data Manager agrees that a change should be made, it must correct the data in its internal data system and in NSLDS.
FSA Role	Department reviews the adjustment request and issues a decision. If appropriate, the Department recalculates the cohort default rate.
CDRG section and REG	Chapter 4.4 and 34 CFR 668.210

What appeals are available during the official cycle?

There are six **appeals** available during the **official cycle** – a Loan Servicing Appeal, an Erroneous Data Appeal, a Participation Rate Index Appeal, an Economically Disadvantaged Appeal an Average Rates Appeal, and a Thirty-or-Fewer Borrowers Appeal. The following tables summarize these appeals.

Loan Servicing Appeal

Schools eligible	All.
Conditions	School believes the school's <i>official</i> LRDR contains loans that were improperly serviced for cohort default rate purposes.
Time Frame	School must request loan servicing records within 15 days of receiving the <i>official</i> LRDR. After school receives loan servicing records from the Data Manager, it has, in general, 30 days to submit a loan servicing appeal to the Department. A school is required to pay for the records if the data manager requests a fee.
School Role	Through eCDR Appeals a school submits the CEO certification letter requesting the loan servicing records and the entire <i>official</i> LRDR to the Data Manager holding the loan and the Department simultaneously receives a copy. If the school believes the LRDR contains loans that were improperly serviced for cohort default rate purposes, school sends appeal to the Department via eCDR Appeals.
Data Manager Role	Data Manager reviews the request for loan servicing records and provides loan servicing records to school.
FSA Role	The Department reviews the appeal and issues a decision. If appropriate, the Department recalculates the cohort default rate. If the school is sanctioned, the Department either will withdraw the sanction notice or notify the school of the effective date of that sanction, depending on the results of the review.
CDRG section and REG	Chapter 4.6 and 34 CFR 668.212



Erroneous Data Appeal

Schools Eligible	Sanctioned or potentially subject to provisional certification.
Conditions	School must meet three conditions. First, the school's <i>official</i> cohort default rate calculation must contain new or disputed data. (Disputed data is data that the school unsuccessfully challenged in an IDC.) Second, the school must be subject to <i>official</i> cohort default rate sanctions or provisional certification based solely on the school's cohort default rate. Finally, a successful erroneous data appeal, either by itself or in combination with an uncorrected data adjustment, a new data adjustment, or a loan servicing appeal, will result in a recalculated cohort default rate that is below the sanction threshold.
Time Frame	Schools must initiate appeal within 15 days of notice of loss of eligibility or provisional certification. After the school receives a response from the Data Manager, it generally has 30 days to submit its erroneous data appeal, or a letter requesting withdrawal of the appeal to the Department.
School Role	School submits a cover letter, a completed erroneous data appeal spreadsheet, a copy of the relevant sections of the <i>draft</i> and <i>official</i> LRDRs, and any supporting documentation to the Data Manager holding the loan. School sends a copy of the CEO certification letter and appeal to the Department. School submits a cover letter, the completed erroneous data appeal spreadsheet, supporting documentation, and the Data Manager's response to the Department. If the school wishes to withdraw the appeal, the school sends a withdrawal letter to the Department.
Data Manager Role	Data Manager holding the loan reviews the request and issues a decision. If the Department notifies Data Manager that the appeal was successful, it must correct the data in its internal data system and NSLDS.
FSA Role	Department reviews the appeal request and issues a decision. If appropriate, the Department recalculates the cohort default rate. In addition, the Department either will withdraw the sanction notice or will notify the school of the effective date of that sanction, depending on the results of the review.
CDRG section and REG	Chapter 4.5 and 34 CFR 668.211

Participation Rate Index Appeal

Schools Eligible	Sanctioned or potentially subject to provisional certification.
Conditions	School has a low number of borrowers.
Time Frame	School must submit appeal within 30 days of receiving notice of loss of eligibility or notice of a second successive official cohort default that is equal to or greater than 30 percent but less than or equal to 40 percent, potentially subjecting school to provisional certification.
School Role	School submits a cover letter and a completed participation rate index appeal spreadsheet to the Department.
Data Manager Role	None.
FSA Role	Department reviews the appeal and issues a decision. In addition, the Department will withdraw the notice of loss of eligibility or potential provisional certification or notify the school of the effective date of the sanction or that the school may potentially be provisionally certified, depending on the results of the review.
CDRG section and REG	Chapter 4.8 and 34 CFR 668.214



Economically Disadvantaged Appeal

Schools Eligible	Sanctioned or potentially subject to provisional certification.
Conditions	School has a high number of low-income students and either a high completion rate (degree-granting schools) or high placement rate (non-degree-granting schools).
Time Frame	<p>School must submit management's written assertion within 30 days of receiving notice of loss of eligibility or notice of a second successive official cohort default that is equal to or greater than 30 percent but less than or equal to 40 percent, potentially subjecting school to provisional certification.</p> <p>A school must submit the independent auditor's report within 60 days of receiving notice of loss of eligibility or notice of a second successive official cohort default that is equal to or greater than 30 percent but less than or equal to 40 percent, potentially subjecting school to provisional certification.</p>
School Role	<p>School submits a cover letter, a completed low-income spreadsheet, and a completed placement or completion rate spreadsheet to the Department.</p> <p>School submits a cover letter, a completed low-income spreadsheet, a completed placement or completion rate spreadsheet, and any other requested documentation to the independent auditor. School submits auditor's report to the Department.</p>
Independent auditor Role	Independent auditor reviews and attests to school management's written assertion.
Data Manager Role	None.
FSA Role	Department reviews the appeal and issues a decision. In addition, the Department will withdraw the notice of loss of eligibility or potential provisional certification or notify the school of the effective date of that sanction or that the school may potentially be provisionally certified, depending on the results of the review.
CDRG section and REG	Chapter 4.7 and 34 CFR 668.213

The following appeals, Average Rates Appeal and Thirty-or-Fewer Borrowers Appeal, are initiated by the Department.

Average Rates Appeal

Schools Eligible	Sanctioned.
Conditions	Average rate calculation is greater than 40% for current year; or at least two average rates of three most recent years is less than 30% if calculated as non-average rates. The Department notifies school if it qualifies for the Average Rates Appeal.
Time Frame	School must file within 30 days of receiving the notice of loss of eligibility.
School Role	File appeal if the school received notice of loss of eligibility and it meets the conditions. School submits the supporting documentation and Certification.
Data Manager Role	None.
FSA Role	The Department will automatically determine if a school meets the criteria and notify the school if it will not be subject to sanction at the same time the Department notifies the school of its <i>official</i> cohort default rate. If the school submits an appeal, the Department reviews the appeal and issues a decision.
CDRG section REG	Chapter 4.9 and 34 CFR 668.215



Thirty-or-Fewer Borrowers Appeal

Schools Eligible	Sanctioned.
Conditions	Average rate calculation for the current year and less than 30 total borrowers enter repayment for the 3 most recent years. The Department notifies school if it qualifies for the Thirty-or-Fewer Borrowers Appeal.
Time Frame	School must file within 30 days of receiving the notice of loss of eligibility.
Data Manager Role	None.
FSA Role	The Department will automatically determine if a school meets the criteria and notify the school if it will not be subject to sanction at the same time the Department notifies the school of its <i>official</i> cohort default rate. If the school submits an appeal, the Department reviews the appeal and issues a decision.
CDRG section and REG	Chapter 4.10 and 34 CFR 668.216



How can my school ensure that it has completed everything it needs to complete?

How can I make sure I have done everything I need to do to file a challenge, adjustment, or appeal?

Each chapter in [Part IV](#) of the Guide ends with a checklist. The checklist outlines the steps you need to take to file a challenge, adjustment, or appeal. Please review the appropriate checklist to ensure that you have taken all required steps prior to submitting your challenge, adjustment, or appeal.

How do I know where to submit a challenge, adjustment, or appeal?

Challenges, adjustments, and appeals are submitted either to the Data Manager at the agency holding the loan or to the Department. **Challenges, adjustments and appeals submitted via eCDR Appeals are automatically routed to the correct data manager.** For hard-copy submissions, after locating the numerical code for the Data Manager on the LRDR (Field Q), you can find the name, address, and phone number on the list of Data Managers posted on the Default Management home page. The link to find this information is: <http://ifap.ed.gov/drmaterials/NumericalDataMgrContacts.html>

Is there a deadline for submitting a challenge, adjustment, or appeal?

There are different deadlines associated with each challenge, adjustment, or appeal. Challenges, adjustments, and appeals submitted after the time deadline will be automatically rejected.

How can my school correct borrower data before the cohort default rates are calculated?

What are the advantages of regularly reviewing and correcting borrower information?

A school can use information from NSLDS to monitor and correct borrower information before the cohort default rates are calculated for that borrower's cohort.

Reviewing borrower information on at least a monthly basis gives your school a chance to identify and assist its borrowers. For instance, a school that monitors borrower repayment status can identify when a borrower has just entered repayment, which is a good time to remind the borrower of the repayment schedule and review the borrower's repayment options. This information can help a borrower avoid default.

If a borrower shown as "in repayment" is still enrolled, the school must update the student's enrollment status in NSLDS. (The school should check the NSLDS error report to verify that changes were accepted.)

Finally, monitoring borrower information helps ensure that the data posted to NSLDS is accurate. Schools that monitor the borrower's repayment and default status can contact Data Managers as errors occur, instead of waiting until the release of the cohort default rates to correct the information. This not only makes the review effort more manageable, it may result in a lower *draft* cohort default rate for your school.



How does a school request information from NSLDS?

A school may request loan information from NSLDS by logging into: <https://nslsdfap.ed.gov> (FSA User ID and password required) and selecting the tab labeled "Report." For assistance with NSLDS reports, please contact NSLDS Customer Service at 1-800-999-8219.

What information is available to assist schools in default management?

Schools can access a number of reports to aid with default management. Please see some of the more common reports below.

DELQ01 – Delinquent Borrower Report – provides school users a report of borrowers with loans reported as delinquent in payments to one of the federal loan servicers, which does not include loans whose guarantee is held by a Guaranty Agency.

Benefits: This report assists schools with delinquency and default prevention. It provides information on consolidation loans and includes information on underlying loan(s). If a school has merged into a new school (different OPEID), the report will include the original school OPEID on loans whose originating schools merged.

DRC035 – School CDR History Report – LRDR showing students included in the CDR for a specific cohort year. You can request this report for the current and any prior years. Prior year reports are available at any time.

Benefits: Once the cohort default rate is released, you can retrieve this report and begin analyzing the data immediately. You do not have to wait for the Destination Point Administrator (DPA). For default prevention purposes, a repository of historical data can be accessed to identify defaulters over a specified time frame.

DR001 – Date Entered Repayment Report – List of students who are scheduled to go into repayment during a specified date range. (User can specify start and end date.)

Benefit: Early identification of students who are incorrectly placed or missing in a cohort year. Correcting the data before the calculation should preclude the need to submit a challenge or adjustment.

DRC015 – School Repayment Information Loan Detail – Provides a school with the current repayment status of certain borrowers who attended a school during a 24-month period.

Benefit: Early identification of students who are incorrectly placed or missing in that particular 24-month period. Correcting the data before the calculation should preclude the need to submit a challenge or adjustment. Can work with Data Managers to determine special circumstances that may remove the student from default (e.g., bankruptcy, repurchase, disability, etc.).

DRC016 – School Repayment Information Loan Detail – Provides a school with the current repayment status of certain borrowers who attended a school during a 36-month period.

Benefit: Early identification of students who are incorrectly placed or missing in that particular 36-month period. Correcting the data before the calculation should preclude the need to submit a challenge or adjustment. Can work with Data Managers to determine special circumstances that may remove the student from default (e.g., bankruptcy, repurchase, disability, etc.).

These reports are available from NSLDS as both summary and detailed information.



How does a school use this information?

A school should compare the information in the NSLDS reports with information in its own records. The information in the NSLDS reports will form the basis of the school's cohort default rate. The school should make note of any inconsistent or inaccurate information. When the cohort default rates are released, the school should review the LRDR to see if the inconsistent or inaccurate information is in the LRDR. If it is, the school should file the appropriate challenge, adjustment, or appeal.

Appendix: Cohort default rate in detail.

How is a cohort default rate calculated?

A school's cohort default rate is the percentage of a school's federal student loan borrowers who enter repayment within the cohort fiscal year *and* default within the cohort default period. Please see page 3.

What loans are included?

The following Federal Family Education Loans (FFEL) and William D. Ford Federal Direct Loans (Direct Loan) are included in the calculation:

- Subsidized Federal Stafford Loans
- Unsubsidized Federal Stafford Loans
- Federal Direct Stafford/Ford Loans (subsidized and unsubsidized)
- Unsubsidized Federal Direct Stafford/ Ford Loans (subsidized and unsubsidized)

Federal Consolidation Loans and Federal Direct Consolidation Loans may also affect the cohort default rate calculation. See [Page 2.1-9, 2.1-12 of the CDR Guide](#) for more information on consolidation loans. Perkins loans are not included in the calculation.

What is repayment?

A FFEL or Direct Loan enters repayment after a 6-month and one day grace period that begins when the borrower separates (graduates, withdraws, or drops below half-time enrollment) from school. The *official* repayment date is the first day following the end of the 6-month period. This date is used to determine which cohort year the borrower is included in for the calculation.

When is a loan in default?

After a FFEL or Direct Loan enters repayment, the borrower is responsible for making payments. If the borrower does not make payments or request a deferment or forbearance, the loan becomes delinquent.

The holder of a FFEL can submit a delinquency claim on the loan to the guaranty agency that guaranteed the loan when a loan becomes over 270 days delinquent. For cohort default rate purposes, a FFEL is considered to be in default only if the guaranty agency has paid a default claim on the loan to the lender. The date the guaranty agency reimburses the lender for the defaulted loan is used to determine if the borrower will be placed in the numerator of the calculation. If the date the claim is paid on a FFEL is within the cohort default period, the loan is included in the numerator of the cohort default rate. See below for the definition of the cohort default period.

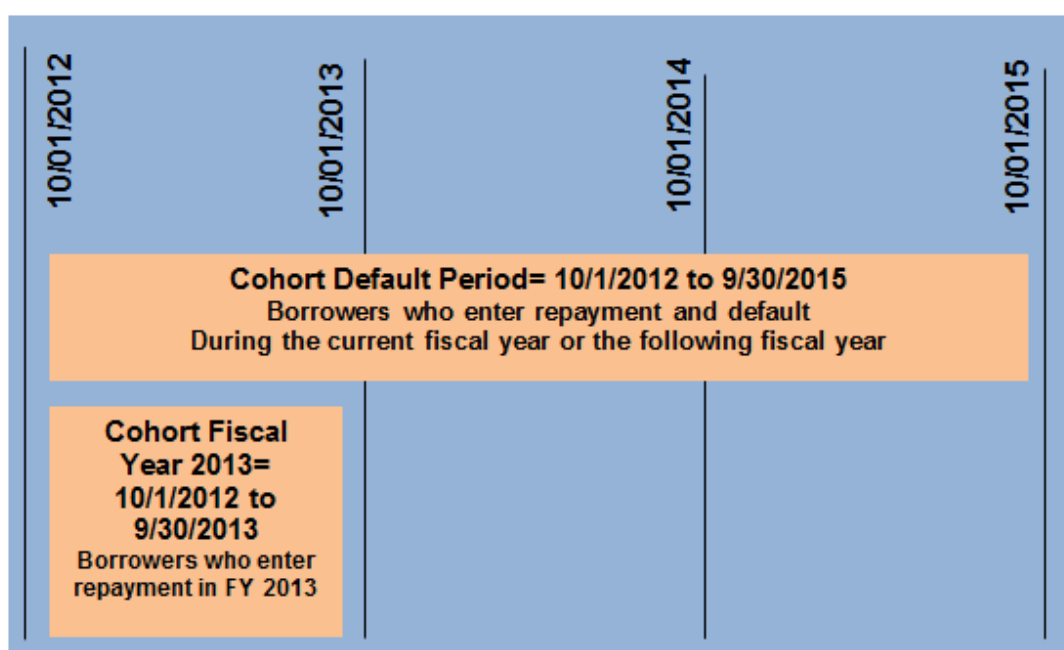


A Direct Loan or a FFEL that has been purchased by the Department is considered in default for cohort default rate purposes after 360 consecutive days of delinquency. The date the loan becomes 361 days delinquent is used to determine if the borrower will be placed in the numerator of the calculation. If the date the loan reaches 361 consecutive days of delinquency is in the cohort default period, the loan is included in the numerator of the cohort default rate.

Note: If a school owner, agent, contractor, employee, or any other affiliated entity or individual makes a payment to prevent a borrower's default on a loan that entered repayment during the cohort fiscal year, the loan is considered in default for cohort default rate purposes.

What is the cohort default period?

The cohort default period is the three-year period that begins on October 1st of the fiscal year when the borrower enters repayment and ends on September 30th of the following two fiscal years.



How is a cohort default rate calculated?

The formula the Department selects for calculating a school's cohort default rate depends on the number of student borrowers (not student loans) from that school entering repayment in a particular fiscal year and the number of cohort default rates previously calculated for the school. There are several special circumstances that will affect how a loan is included in the cohort default rate calculation. See [Pages 2.1-11 – 2.1-14 of the CDR Guide](#).

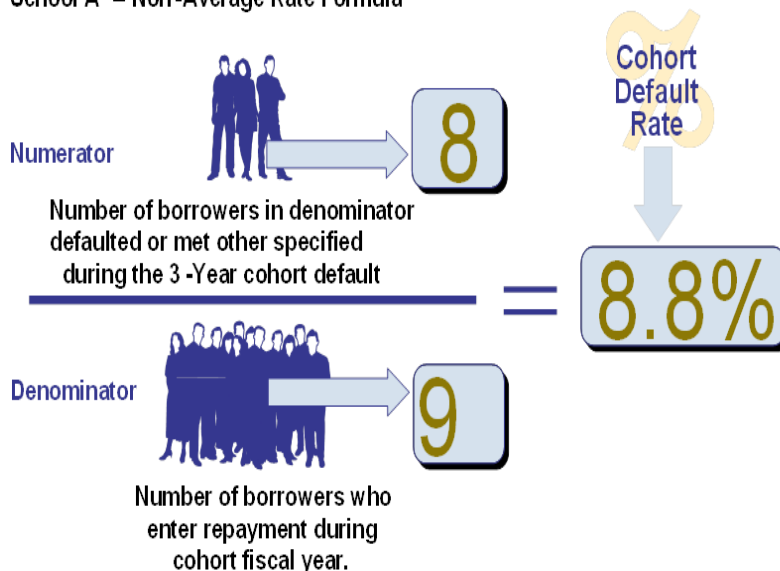
The following are two examples of cohort default rate calculation. School A uses a non-average rate formula while School B uses an average rate formula.



Non-average rate calculation.

The **non-average rate formula**, which is the most common calculation, is used for schools with 30 or more borrowers entering repayment for a fiscal year. Use the cohort default period in the graphic above. School A had 90 borrowers enter repayment between October 1, 2012 and September 30, 2013. Of those, 8 borrowers default before September 30, 2015.

The non-average rate formula for School A is calculated as follows:

School A – Non-Average Rate Formula

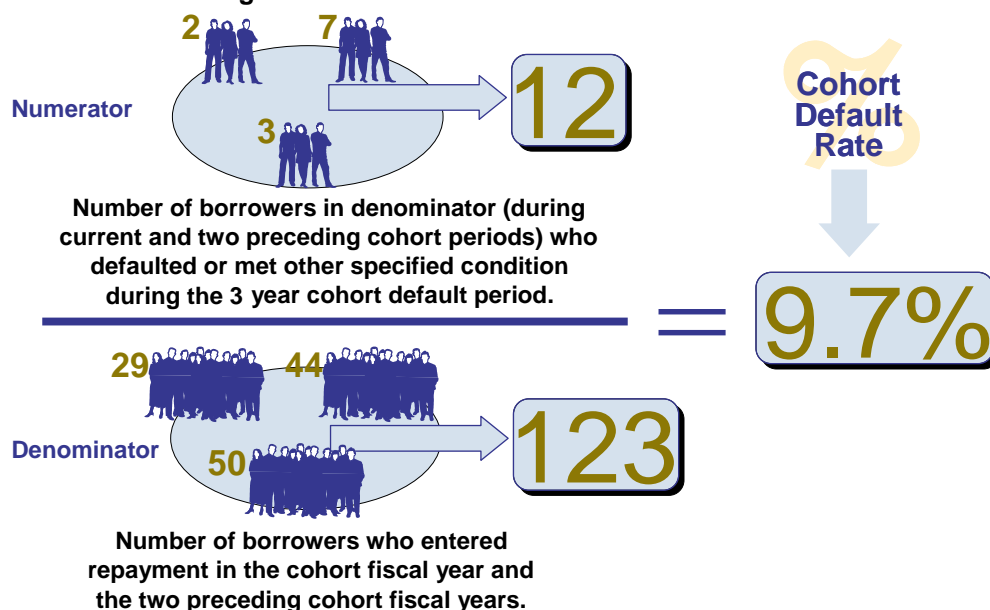
An **average rate formula** is used for a school with 29 or fewer borrowers entering repayment if the school had a cohort default rate for the previous two years.

Average Rate Example: School B, a degree granting school, certified loans for the following students: 29 borrowers who entered repayment in the current cohort fiscal year (of whom 2 defaulted in that cohort default period), 44 borrowers who entered repayment in the fiscal year immediately preceding the current cohort fiscal year (of whom 7 defaulted in the associated cohort default period), and 50 borrowers who entered repayment in the fiscal year two years prior to the current cohort fiscal year (of whom 3 defaulted in the associated cohort default period). The 123 borrowers (29 + 44 + 50 = 123) who entered repayment in these three fiscal years constitute the denominator. The numerator consists of the 12 borrowers (2 + 7 + 3 = 12) who defaulted in the relevant cohort default periods. School B's cohort default rate is calculated by dividing 12 by 123 (12 ÷ 123 = 0.097) and expressing the result (0.097) as a percentage to produce an average cohort default rate of 9.7 percent (0.097 x 100 = 9.7) Page 2.1-6 of the Guide.

See Picture Below



School B – Average Rate Formula



How does a change in status affect a school's cohort default rate?

There are three types of change in status for cohort default rate purposes:

Acquisition or Merger of Schools - The first type of change in status occurs when one of two things happen: either one existing school acquires another existing school (acquisition of schools) or two existing schools combine to form one new school (merger of schools).

Acquisition of Branches or Locations - The second type of change in status occurs when an existing school acquires a branch or location of another school. This type of change in status results in one expanded school and one former parent school.

Branches or Locations Becoming Schools - The third type of change in status occurs when a branch or location of an existing school becomes an independent new school. This type of change in status results in one new school and one former parent school.

A school involved in a merger, acquisition, or other change in status should be aware that the change may affect the application and calculation of its cohort default rates and that certain sanctions may be applicable to the school after the change in status.

